

## Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 FEA-02 SPC-03 AID-20 EB-11 NSC-07

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DRAFTED BY NEA/ARP:FMDICKMAN:CEJ

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA PRIORITY

INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L STATE 064593

E.O. 11652:GDS

TAGS: ENRG, SA

SUBJECT:REPORTED PLANS BY SAUDIS TO BOOST OIL PRODUCTION

1. MARCH 30 WASHINGTON POST CARRIES FRONT PAGE ARTICLE BY CORRESPONDENT JIM HOAGLAND FROM RIYADH REPORTING THAT SAG HAS AUTHORIZED ARAMCO TO BOOST PRODUCTION TO 11.2 MILLION BPD BY END OF 1975, OR ROUGHLY 30 PERCENT ABOVE PRESENT LEVELS OF PRODUCTION. HOAGLAND REPORTS MOVE NOT BEING ANNOUNCED PUBLICLY BECAUSE OF UNDERCUTTING EFFECT IT WILL HAVE ON PRODUCTION RESTRICTIONS BY OTHERS BUT STATES DECISION ALLOW THIS PRODUCTION INCREASE IS AN INDICATION THAT SENIOR SAUDI POLICY MAKERS ARE CONCERNED OVER POLITICAL AND ECONOMIC CONSEQUENCES OF IRANIAN-LED MOVEMENT TO PUSH OIL PRICES EVEN HIGHER.

2. ARTICLE POINTS OUT THAT THIS LATEST REPORT CONTRASTS SHARPLY WITH HOAGLAND REPORT TWO DAYS PREVIOUSLY OF STATEMENT BY SAUDI OIL MINISTER YAMANI THAT SAG WOULD HOLD EXPORTS TO US AT LITTLE OVER ONE MILLION BPD UNTIL MIDDLE EAST SETTLEMENT ACHIEVED. HOAGLAND REPORTS, HOWEVER, THAT SAUDI

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LEADERSHIP HAS NOW DECIDED USE OIL PRODUCTION IN A POSITIVE

POLITICAL WAY WIELDING CARROT INSTEAD OF STICK. PRODUCTION INCREASES WILL MAINTAIN SAUDI ARABIA'S LEADERSHIP IN OIL AFFAIRS AND HEIGHTEN ITS LONG-TERM INFLUENCE OVER US POLICY IN MIDDLE EAST.

3. HOAGLAND ALSO REFERS TO INTERVIEW HE HAS HAD WITH DEPUTY MINISTER PETROLEUM PRINCE SAUD WHO EXPRESSES HIS CONCERN OVER ADVERSE IMPACT PRICE HIKES ON ECONOMIES OF OIL CONSUMING NATIONS AND IN DIVERTING ATTENTION TO POLITICAL INJUSTICES IN MIDDLE EAST. HOWEVER, HOAGLAND CONCLUDES SAUDIS NOT LIKELY TAKE DRASTIC STEPS TO UNILATERALLY REDUCE OIL PRICES IF THEY CANNOT WIN OTHER OIL PRODUCERS TO THEIR POSITION.

4. WE FIND HOAGLAND ARTICLE OF INTEREST IN LIGHT OF HINTS BY YAMANI TO ARAMCO AND AMBASSADOR AKINS (JIDDA'S 1565 AND 158L) THAT SAG MAY BE CONTEMPLATING PRODUCTION INCREASES TO ASSURE SUFFICIENT OIL SUPPLIES TO WORLD MARKETS AND ALLOW NORMAL MARKET FORCES BRING DOWN OIL PRICES. CAN EMBASSY/CONGEN CONFIRM ACCURACY OF HOAGLAND'S REPORT WITH SAG/ARAMCO SOURCES? RUSH

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